

*Published in the Birmingham News,  
Sunday, March 21, 2004*

## **Medicaid 101**

***State offers minimum medical benefits but vital care to children, disabled***

**By Carol A. Herrmann and Robin Rawls**

Walk through the hallway on clinic days at Childrens' Hospital of Alabama and you will be surrounded by a hopeful – if noisy -- collection of children and families in search of what most of us take for granted – good health.

For families blessed with ample financial resources and good health insurance, medicine's modern-day possibilities are readily available. An expensive drug to prevent asthma attacks is just another necessary item in the family budget. However, when that same medicine costs a week's take home pay, there are unpleasant choices that must be made. Do you buy medicine or pay the rent? Do you buy gas for the car so you can go to work or take your asthmatic child to the doctor for that nagging cough? Suffice to say, there are no easy answers.

It was exactly that type of predicament that government leaders hoped to prevent when they created Medicaid nearly 40 years ago. However, those government leaders responsible for crafting Medicaid in 1965 probably never imagined the exponential explosion of drugs, medical knowledge and technology that has contributed to improved health outcomes for children and adults in Alabama and elsewhere.

Medicine's success, coupled with a state whose economy and citizens are chronically poor, now mean that Alabama's officials are sitting at the legislative table trying to decide which bill to pay, and there are no easy answers.

### **Alabama Medicaid: A Growing Number of Recipients**

Often confused with Medicare, the sound-alike federal program that helps Americans over age 65 with hospital, doctor and other major medical bills, Medicaid is a state-federal partnership that functions as a major health and long-term care payer, particularly for children, disabled individuals, and nursing home residents. While many people still think of Medicaid as a welfare-related entitlement, the reality is that for a growing number of working Alabamians, Medicaid is the only health coverage they can get -- or afford. In fact, nearly half (47 percent) of all children on Medicaid in Alabama are from working families.

That Alabama is an economically disadvantaged state is no secret. Most people, however, are surprised to learn that Medicaid pays for the delivery of nearly half of all babies born in Alabama (46% in FY 2002) and for the health coverage of 37 percent (FY 2002) of all

children under age 19. About one in five Alabama residents are Medicaid-eligible, while three of every four nursing home patients (74%) depend on Medicaid to cover the cost of their care. If federal eligibility requirements remain unchanged, the agency projects that in five years, one in four (25%) Alabama residents will qualify for Medicaid.

At first glance, the staggering amount needed to operate Alabama's Medicaid program -- \$3.7 billion dollars in FY 2003 -- might suggest that management interventions are needed to control costs. A second look, however, reveals that Alabama Medicaid uses its dollars efficiently with 97 cents going directly to benefits -- hospital care, doctor visits, medicine, testing and so forth. Even so, Alabama Medicaid's "bare-bones" budget will consume more than 18 percent of the state's general fund budget in 2004. And next year looms ominously ahead.

### **Medicaid: State Run, Federal Rules**

Even though Medicaid programs are state-operated, the federal government requires all state programs to pay for certain mandated services such as pregnancy related care, inpatient hospital services or well-child checkups in order to receive federal matching funds. Optional services include dental services, hospice care, eyeglasses, hearing aids, organ transplants and prescribed drugs, things that do not really seem optional when compared to private insurance coverage.

Federal rules also mandate that states must pay to cover certain groups of people. These include low income pregnant women and children under age 19, low income individuals who are certified by the Social Security Administration as aged, blind or disabled, certain people covered by Medicare, foster children and infants born to Medicaid-eligible women, among others.

While more affluent states offer such benefits as adult dental care or include higher income families, Alabama Medicaid has historically provided the absolute minimum in terms of benefits and eligibility and no change to that policy is in sight.

Clearly, covering children is a good investment. It's also good bang for the buck. In FY 2003, the average cost for each child under age 19 was \$1,568 with the state paying \$470 (30 percent) and the federal government 70 percent. For less than \$500 each in state dollars, children can get preventive health care, dental care, shots and more.

Another good investment is the Agency's Plan 1<sup>st</sup> program. More than 116,000 Alabama women who would qualify for Medicaid if they became pregnant can get family planning services and supplies at an average annual cost of about \$100 -- 90 percent of which is paid by the federal government.

### **Medicaid Cuts Hurt Communities**

As lawmakers and state officials agonize over how to fund Medicaid, even at a minimum level, communities across Alabama are watching closely. Regardless of how they feel

about Medicaid, community and health care leaders know that without Medicaid revenue, critical components of Alabama's health care infrastructure could not continue to exist.

No where is this more evident than at the two hospitals that serve as the training ground for hundreds of family practice, pediatric, internal medicine and other physicians. At Children's Hospital, just over half of all patient days are paid by Medicaid. To the south, 77 percent of the patient days at USA Women's and Children's Center are paid for by Medicaid.

Beyond those two institutions, the economic impact of Medicaid dollars translate into jobs, income and community self-sufficiency. Jefferson County's share in FY 2003 was \$473.5 million. Four other urban counties receive Medicaid payments in excess of \$100 million. Medicaid expenditures supported more than 84,000 jobs in various industries within the state.

---

*Carol A. Herrmann is commissioner of the Alabama Medicaid Agency. Robin Rawls is associate director of research and development for the agency. Contact Alabama Medicaid through [www.medicaid.state.al.us](http://www.medicaid.state.al.us).*